

September 20, 2006

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. R-1265; Interim Rule on  
Electronic Fund Transfers

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments in response to the Federal Reserve Board's (Board) interim final changes to Regulation E on electronic fund transfers. Navy Federal is the nation's largest natural person credit union with \$25 billion in assets and 2.7 million members.

With this interim rule, the Board is clarifying certain provisions that it issued in January as final rule changes to Regulation E. Navy Federal appreciates the Board's willingness to respond to industry concerns about the final rule changes and address these concerns before the rule's mandatory compliance date. We believe that the interim rule provides important clarifications to electronic fund transfer (EFT) system participants on how to comply with the consumer authorization and disclosure requirements in Regulation E.

Specifically, we support the interim rule's provisions allowing payees to provide consumers with "take away" notices that are *substantially similar* to the notices posted at the point-of-sale. This will allow payees to provide notices that better reflect the transactions into which the consumers entered, instead of requiring the "take away" notices to be exactly the same as the somewhat generic posted notices. We believe this clarification will result in more meaningful disclosures for consumers.

Navy Federal also supports the interim rule's clarification on disclosure of insufficient funds fees. The interim rule permits payees to disclose these fees as dollar amounts or describe how the fees will be calculated, which will allow them to comply with certain state laws that require these fees to be determined based on individual transaction amounts or other factors. We believe this clarification provides appropriate and necessary flexibility to payees without adversely impacting consumers.

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Lastly, we thank the Board for clarifying that the consumer's financial institution is not required to obtain authorization from, and provide notice to, the consumer (unless the financial institution is the payee). This clarification will reduce financial institution questions about the rule's applicability and assist EFT system participants in complying with the rule.

We appreciate the opportunity to provide comments in response to the Board's interim final rule on electronic fund transfers.

Sincerely,

A handwritten signature in black ink, appearing to read "Cutler Dawson", with a horizontal line extending from the end of the signature.

Cutler Dawson  
President/CEO

CD/sb